



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 13, 2013

MEMORANDUM

TO: Patricia C. Orrock
Chief Compliance Officer

Thomas Hintermister
Assistant Staff Director
Audit Division

FROM: Lisa J. Stevenson
Deputy General Counsel - Law *LJS*

Lorenzo Holloway *LH*
Assistant General Counsel
Compliance Advice

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Attorney

SUBJECT: Proposed Interim Audit Report on State Democratic Executive Committee of Alabama (LRA 893)

I. INTRODUCTION

The Office of the General Counsel has reviewed the proposed Interim Audit Report ("IAR") for the State Democratic Executive Committee of Alabama ("the Committee"). The IAR contains one finding: Recordkeeping for Payroll.¹ We concur with the finding, and comment briefly on a footnote of the proposed IAR, as submitted to us, that addressed workers paid with and reported as solely 100% federal funds. If you have any questions, please contact Margaret J. Forman, the attorney assigned to this audit.

¹ We recommend that the Commission consider this document in Executive Session because the Commission may eventually decide to pursue an investigation of matters contained in the proposed IAR. 11 C.F.R. §§ 2.4(a) and (b)(6).

II. RECORDKEEPING FOR PAYROLL

The auditors found that the Committee did not maintain a monthly log or any other supporting documentation for any of its paid employees. *See* 11 C.F.R. § 106.7(d)(1). The proposed IAR recommends that, unless the Committee provides monthly logs, the Committee should implement new procedures designed to maintain monthly payroll logs to track the percentage of time that each employee spends on activities in connection with a federal election.

The auditors also referenced individuals engaged in canvassing on behalf of the Committee in footnote 2 on page 4 of the proposed IAR as submitted to us. It is our understanding from the auditors that the Committee paid these individuals with exclusively 100% federal funds. As noted on page 1 of the proposed IAR, the Commission concluded that 11 C.F.R. § 106.7(d)(1) requires committees to maintain a monthly log for employees paid exclusively with federal funds; however, the Commission exercised its prosecutorial discretion not to pursue recordkeeping violations in these circumstances. *See* Commission Certification of Request for Consideration of a Legal Matter (LRA 917) Nov. 28, 2012. We understand that the auditors plan to remove this footnote, and we concur with this decision, given the Commission's decision not to pursue recordkeeping findings in these circumstances.